

# **NEWPORT LEGACY ZURICH SWITZERLAND: GLOBAL MARKETS-SHARES SINK TOWARDS 1-YEAR LOW AS BEARS BITE AGAIN**

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LONDON, Oct 23 (Reuters) – An ugly start to European trading pushed world shares towards their lowest level in a year on Tuesday, as negative drivers from Saudi Arabia’s diplomatic isolation to worries about Italy’s finances and trade wars piled on the pressure.

Selling escalated from Wall Street into a heavy selloff in Asia before hitting Europe, which was facing a fifth day of uninterrupted declines.

The tech sector posted the worst performance after chipmaker AMS plunged 17 percent as its outlook triggered alarm bells, but there was a broader force at play.

The pan-European STOXX 600 was near a two-year low with almost half of its stocks now in bear-market territory — down 20 percent from their peak.

Germany’s DAX also fell to late 2016 lows, London’s FTSE was down near April lows, and MSCI’s world share index was just two points of a one-year low.

“This morning weaker stocks in Asia raised some eyebrows and overall sentiment is suffering from trade tensions, Italy to Brexit; a concoction of concerns,” said ING strategist Benjamin Schroeder.

The euro also fell towards a two-month low and Italian bonds struggled before a European Commission meeting that could see Brussels take the unprecedented step of demanding changes to Italy’s recently laid out budget plans.

That has bred some doubt about the European Central Bank raising interest rates next summer, leaving the euro at \$1.4390 . Doubts about Britain’s prime minister, mired in a stalemate over Brexit, kept the pressure on sterling.

All that contributed to the risk-averse mood, with the safe-haven Japanese yen and Swiss franc strengthening while higher-yielding currencies like the Australian and New Zealand dollars fell.

“The prospect of a normalisation of (ECB) monetary policy was the main reason why the euro was able to appreciate over the past year. However, there is a rising risk that this support is now going to crumble,” Commerzbank analyst Thu Lan Nguyen said.

## SAUDI TENSIONS

Markets were also waiting for Turkey’s president to reveal his country’s take on the killing of Saudi Arabian journalist Jamal Khashoggi at a Saudi consulate in Istanbul this month.

Saudi Arabia, a top crude oil exporter, faces international pressure to provide all the facts about an incident that has raised a global storm and added the threat of sanctions against the kingdom to a list of market concerns.

U.S. President Donald Trump said on Monday he was not satisfied with what he had heard from Saudi Arabia about the killing, but expressed reluctance to punish the kingdom economically.

Investors worry that may lead to Saudi retaliation through crude oil, although a Saudi pledge to play a “responsible role” and keep markets supplied held down crude prices on Tuesday.

Front-month Brent crude oil futures were at \$79.51 a barrel, down 0.4 percent. U.S. West Texas Intermediate (WTI) crude futures were at \$69.12 a barrel, dropping 0.35 percent.

Asia’s overnight tumble gave back some of the ground the region had clawed back over the last two sessions.

MSCI’s broadest index of Asian shares dropped 2 percent to a 1 1/2-year low, with declines in many of the region’s heavyweight bourses even more pronounced.

South Korea’s Kospi and Hong Kong’s Hang Seng both fell 3 percent and Japan’s Nikkei lost 2.7 percent.

“We’ve got a few negative factors when market sentiment was already fragile,” said Hiroyuki Ueno, senior strategist at Sumitomo Mitsui Trust Asset Management. “And earnings from some Japanese companies were weaker than expected, with some starting to blame trade wars.”

The yen gained 0.4 percent amid the risk-off mood to 112.42 to the dollar.

The yuan was little changed but stood near Monday’s 21-month low of 6.9445 per dollar in the onshore trade on expectations China will

pursue looser monetary policy to cope with pressure from U.S.  
President Donald Trump on tariffs.